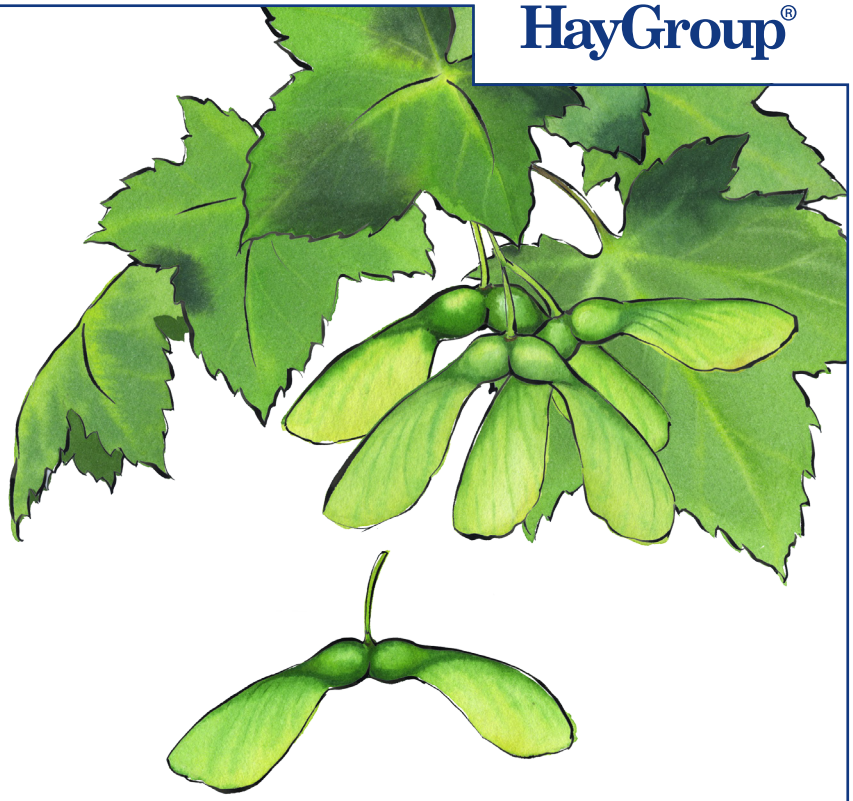
HayGroup®

How to stop your talent taking flight

A guide on how to retain your people



Global economic growth set to pick up. And will be warmly welcomed by businesses.

But the upturn comes with a risk. Firms will face a talent exodus as job markets improve around the world.

If you are not creating the right environment for your people, disgruntled employees will take off in search of better conditions. And replacing an employee can cost upwards of 12 months' salary. What's more, from our work with hundreds of organizations worldwide, we know that your best talent is most likely to go.

So you need to start thinking now about how to secure the long-term commitment of your workforce.

This guide features research and insight from Hay Group to help you understand the factors that drive employee commitment, along with practical advice on how to address them.

About our research

Hay Group analyzed:

- global macroeconomic trends and forecasts*
- our opinion database of over 5.5 million employees worldwide.

This enabled us to identify:

- the timing and scale of the employee turnover 'spike' for 19 countries around the world
- five key factors organizations need to consider to safeguard staff retention.

* In association with the Centre for Economic Business Research

www.atrium.haygroup.com/ww/retention

Eye of the storm

Weak labor markets restrained staff turnover in many organizations during the downturn.

Our economic analysis shows that global turnover rates barely moved between 2010 and 2012. But be warned: we are merely in the eye of the turnover storm.

Global economic growth is predicted to start to recover in the latter half of 2013 and into 2014, driven largely by emerging markets (see fig. 1). And as growth returns, we can expect job markets to revive and staff turnover to pick up.

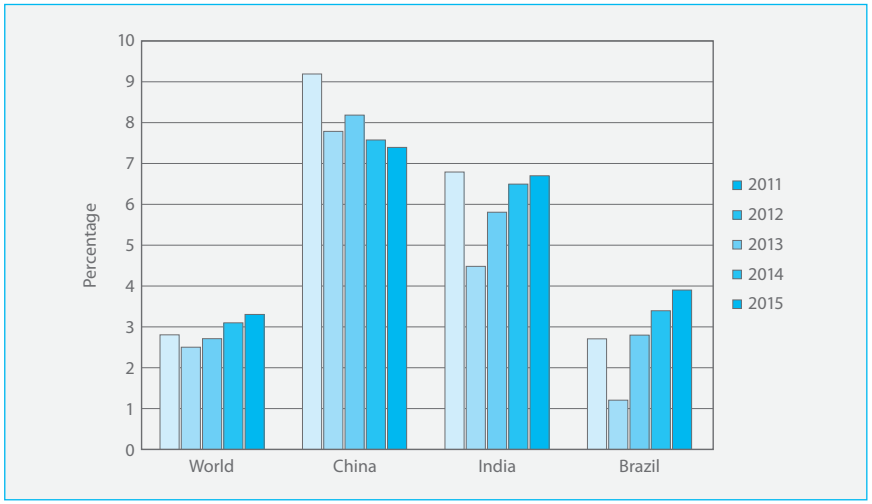


Fig. 1 Real GDP year-on-year growth
Source: IMF, Cebr analysis

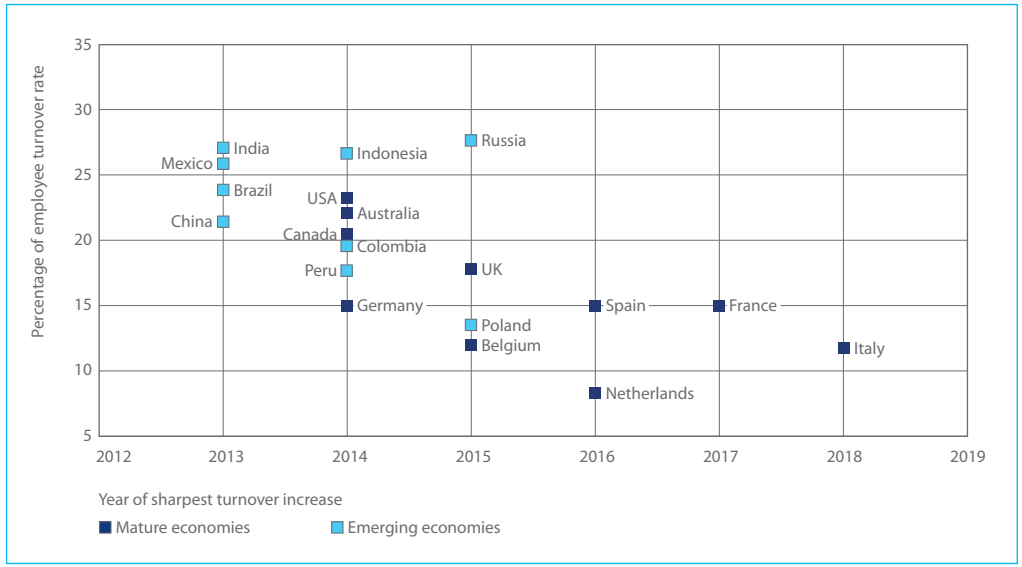


Fig. 2 Timing and scale of the sharpest employee turnover increases by country, 2012–18
Source: Hay Group Cebr analysis

In fact, global turnover is set to hit new heights. Turnover rates will rise fastest in 2014, when we will see separations increase by 7 per cent over 2013.

Our forecasts suggest that 49 million more employees will leave their employers over the next five years compared to 2012. By 2018, 23.4 per cent of employees worldwide – some 192 million people – will head for the exit.

Job market conditions will improve faster in the emerging world than in developed economies. But the timing and scale of the turnover storm will vary between regions. Turnover will increase most sharply in the emerging economies of Asia and Latin America in 2013; while mature markets will spike between 2014 and 2018, led by dominant economies like Germany and the US (see fig. 2).

What makes employees want to leave?

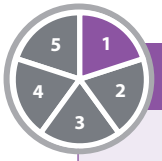
Make no mistake: a turnover wave is heading your way. How will you ensure that your firm keeps its best talent?

We studied Hay Group's opinion database of more than 5.5 million employees worldwide to identify what makes for a dedicated workforce. We compared the views of 'stayers' (committed to their companies for more than two years) with those of 'leavers' (intending to leave within the next two years).

Our analysis identified **five retention factors:** features of an organization that drive employee commitment. Crucially, stayers are more satisfied with each of these than leavers:

1. Confidence in the organization and its leadership
2. Room for growth
3. A fair exchange
4. An environment for success
5. Authority and influence

A significant number of employees express doubt over their firms' ability to provide these retention factors. Organizations need to give serious thought to how they stack up against these factors now before the job markets begin to improve.



1 Confidence in the organization and its leadership

Employees like certainty. They need reassuring that the firm they work for is well-led and heading in a positive direction.

It is leaders' responsibility to provide this. It is their job to translate company strategy into a clear message that resonates with staff and gives them a sense of direction and to communicate this message regularly, consistently and with authority.

But promoting confidence is difficult in an uncertain environment. Almost four in ten employees (38 per cent) express doubt over their firm's direction and goals. Close to a third (31 per cent) lack trust and confidence in their senior managers.

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2 Room for growth

People want to be able to reach their potential at work. They want to know that there are opportunities to learn, grow and progress.

Otherwise, they begin to feel vulnerable and wonder whether their future lies elsewhere.

But a low-growth climate restricts opportunities for development. Fewer people leave, fewer new positions open up and training budgets diminish.

Employees are only too aware of this. Close to half (47 per cent) are unsure that they can achieve their career objectives at their current company. Almost as many desire greater learning and development opportunities (44 per cent) and want more support from leaders in their development (43 per cent).

3 A fair exchange

Staff need to feel valued, especially if they are to deliver more with less in difficult times.

They need to know that their hard work will be recognized, appreciated and rewarded.

Tapping into employees' discretionary effort requires a fair balance between the contributions they make and the compensation they receive. But with budgets under pressure, reward options are constrained – at the very point when organizations are demanding more of their staff.

As a result, over half of employees (53 per cent) express concern about the fairness of their compensation. And nearly half (43 per cent) do not believe that their companies demonstrate care and concern for their workforce.

4 An environment for success

Employees need to feel that they are working for a tightly run operation: one that will support them to work smarter as well as harder, and where colleagues pull together to help each other.

Merely **engaging** your employees is therefore not enough. Motivated workers care: they want to go home each day satisfied with a job well done. To sustain their commitment, firms also need to **enable** them to perform.

Enabling people means having the right people in the right roles, and creating efficient work processes, in order to allow people to perform at their best. It also means promoting collaboration and providing a supportive working environment.

Without these things, even the most engaged workers will eventually get frustrated. And frustrated employees are quick to leave.

Worryingly, staff have their doubts about the way things are being done. Two fifths (40 per cent) do not feel that their firms are effectively run. And almost half (46 per cent) are unimpressed with collaboration and support between departments in their organization.

5 Authority and influence

Engaged employees also want to help. They want to contribute positively to their organizations and help them to perform better.

Firms must unleash this force for good by allowing staff to do their jobs effectively and to influence how work is done.

This means providing two things. Firstly, the basic authority to do the job, rather than tying people down with rules, micro-management and complex decision-making. And secondly, a climate of creativity and innovation, in which workers are encouraged to make suggestions and try new ideas.

There are encouraging signs in this regard. Some 69 per cent of employees feel that they have adequate authority to effectively perform their roles. Almost as many (66 per cent) feel that their organization supports creativity and innovation.

Securing commitment

Employee commitment depends on five fundamentals that workers understandably demand of their firms: confidence, development, reward, enablement and influence.

What can you do to address these factors in your organization?
Set out below are the key areas to address, along with practical steps that businesses should consider integrating into their HR processes.

In a tough climate, however, you may not have the resources to tackle all of these at once. And there may not be time in fast-growing markets, where firms will be hit by an employee turnover spike sooner rather than later.

In this case, firms need to concentrate resources where they matter most and will have the greatest impact in the short term: key talent, high potentials and employees with mission-critical skills and in crucial roles. This is particularly essential for organizations that have downsized, which typically means that most of their remaining employees will fall into these must-retain categories.

For firms still in the eye of the storm, the priority should be to secure the long-term commitment of core workers.

1 Provide clarity

Clarity breeds confidence. Staff cannot be expected to have confidence in a strategy they don't understand. Neither will they trust leaders who fail to explain what needs to be done.

Communicate your goals

- Set out your vision, strategy and objectives and clarify the reasoning behind them. Make it crystal clear where the company is headed, why, and what needs to be done to get there.
- Then ensure that this is clearly communicated across the organization. Explain where each employee fits within the bigger picture, and how their role will contribute to the overall objective.

Be consistent

- Ensure the message is consistent as it is communicated down the organization. Middle managers have a crucial role to play: their behavior has a major influence on how workers perceive their firms.
- An authoritative leadership style used consistently across your organization will reinforce a strong sense of vision and direction.
- Underline the message with rewards that reflect and support your direction. Incentivize the specific objectives people need to achieve and the actions they need to take at every level.

2 Instil confidence

Once everybody is clear on the objectives, the next job is to instil confidence that the organization can achieve them.

Encourage leaders to 'live the vision'

- Senior managers need to embody your strategic direction in everything they do: their behaviors, decisions, leadership style and communication.

Foster a high-performance climate

- Equip leaders with the ability to create a positive climate. The working environment has a huge effect on the confidence of the workforce in their organization – and can impact the bottom line by up to 30 per cent.
- Help leaders understand their leadership style, the impact it is having and how to adapt it to different situations and team members. Leadership style can account for as much as 70 per cent of the variation between good and bad working climates.

Reward the right behaviors

- Recognize employee achievements, attitudes and behaviors that will take the firm in the right direction.

3 Encourage development

Helping employees reach their potential is about much more than formal training.

Promote a development culture

- Provide a nurturing environment. Leaders in the World's Most Admired Companies spend as much as 30 per cent of their time coaching and developing people.

3 Encourage development *continued*

- Ensure your leaders know when to use the coaching leadership style, to help people build their capability and achieve their personal development goals.
- Make training an ongoing process, rather than an event that happens only at certain intervals during an employee's career, to match skills with evolving demands.
- Help employees to focus their development efforts by gauging their emotional intelligence (EI). EI helps people to better understand their abilities, how they work together, and how they can enhance their own and others' performance.

Map out career paths

Employees realize that they must take responsibility for their own careers. But they expect their firms to provide opportunities to do so.

- Make clear where development opportunities lie within the organization. Ensure that staff understand:
  - the organizational structure
  - the roles open to them
  - the competencies needed to perform each role.

To achieve this, you first need to understand these roles and competencies, based on detailed job measurement and evaluation.

- Support career paths with:
  - robust talent management processes that move people up through the hierarchy at the right time
  - rewards that encourage staff to take on bigger roles and more responsibility.

Think laterally about development

- Make employees aware of informal development opportunities, for example taking on more responsibilities in their current role.

Focus your resources

- Think carefully about where to invest. In tough times, providing training for everybody isn't an option. Put people through training when they are ready and will get the most from it.

4 Foster enablement

The message from your workforce is, help us to help you: provide us with the support we need to do a good job and the influence to improve things.

Enable staff to do their jobs

- Give employees the decision-making authority they need to perform their roles without constant need for approval.
- Establish clear and efficient work processes to make routine tasks as quick and easy as possible. Keep these under constant review and ensure that they evolve with the needs of the business.

Give them influence

- Establish platforms for workers to provide input, feedback and ideas, and allow leaders the time and space to consider these. Let staff know that their proposals are being listened to and acted upon.
- Encourage leaders to adopt a participative approach to help instil a sense of influence. This builds commitment via consensus, by involving staff in decision-making and efforts to improve.

Create a climate of creativity and innovation

- Encourage people to use their initiative, try out new ideas and rely on their own problem-solving abilities, without fear of reprisal or of overstepping boundaries.

Foster collaboration

- Set personal objectives that encourage people to cooperate to solve problems and create better processes. Working smarter often means working together.
- Design reward policies to support this. As the financial crisis made clear, incentivizing individuals to hit their personal targets at any cost will prove counter-productive.
- Develop EI competencies, which enhance people's abilities to work together to deliver results.

5 Align rewards

Employees demand to be reasonably compensated for the work they do. But there is more to fair reward than the right salary and bonus.

Be competitive

- Make sure your packages are competitive with the market. That may sound obvious, but do you know what 'competitive' looks like? Who are you competing with – at a local, national, sector and global level? Market benchmarking is essential to getting pay right.

Be fair

- Strike the balance between external competitiveness and internal fairness. Are pay gaps fair between job levels in your organization? Do they encourage ambition – but avoid resentment?

Be transparent

- Help employees to understand:
  - your reward structures and policies, the reasons for them and how they relate to business objectives
  - how this impacts their own package
  - communicate the full extent of the packages you pay. Staff tend consider only their salary and bonus when considering whether they are fairly rewarded and often neglect less tangible rewards.

Transparency over reward can be a challenge in some national, sector and organizational contexts. Some cultures are naturally more open to frank discussions about pay with managers than others, so be prepared to tailor your messages.

Tailor your benefits

- Understand the needs of your workforce, and design benefits that meet these. Benefits say a lot about your culture and organization and about you as an employer.
- Communicate your benefits package and the reasoning behind it, to let staff know you are thinking about them.

Show care and concern

- Be a decent employer. It sounds simple, but small gestures go a long way, and are too easy to neglect in tough times.
- Ensure your leaders are good people to work for. Remember: people join companies, but often leave bosses. And they stay around for a good manager.
- Help leaders to be affiliative. People like to work for an understanding boss. And when they feel looked after, 'hard' rewards such as pay matter that bit less.

How we can help

Hay Group's suite of online HR tools builds the measures outlined above into your HR practices. This will help you address the retention factors in two important stages.

1 Identify turnover risk

Hay Group's **Employee Effectiveness Survey (EES)** provides an honest and detailed view of how your organization measures up against the five retention factors.

EES is an essential starting point to quantifying workforce commitment and identifying the key indicators of staff turnover – by level, function, department, country and demographic group, as well as overall.

This detailed analysis helps organizations to focus effort where it will make the most difference – particularly useful if you have limited resources or little time to act.

Hay Group has found that clients often make assumptions on what they believe to be their problem areas, and our experience is that your employees can often surprise you.

Surveying your workforce also demonstrates that you're listening to them – important to workers who desire influence during periods of change. One financial client implemented EES to identify and address engagement and enablement issues ahead of a rebrand and strategic overhaul. The result was almost double the number of staff intending to stay for more than two years.

2 Take action

EES helps you identify what to do to stop people from leaving. Once you know this, our tools can help you address the following key areas.

Leadership

The best leaders create high-performing environments that motivate their teams, which enhances the bottom line. They do this by drawing on several styles of leadership, and knowing when and where to use each one.

But the majority of leaders only ever master one or two of the six defined leadership styles. As a result, they create demotivating climates.

Leadership Styles and Climate builds an accurate picture of leadership styles and the impact your leaders are having on their teams. It consists of two robust online assessments:

1. **Inventory of Leadership Styles:** surveys the views of employees to measure leader's use of the six leadership styles.
2. **Organizational Climate Survey:** gauges staff perceptions of the six dimensions of the climates that leaders create.

This powerful combination enables leaders to hone their behavior and boost their leadership performance.

Climate change

More effective leaders create more positive climates, which in turn improve retention.

For a global business services client, we discovered that a 1 per cent fall in salesforce retention was costing as much as US $1.6 million to replace those who left.

We helped the firm increase retention by almost 7 per cent in some sales teams, saving around US $11 million.

Development

When resource is tight, it is important to know who your high potentials are, so you can focus training on those most likely to respond by delivering return on your investment.

Hay Group's **Growth Factors** identifies precisely who will benefit most from development, helping to create a robust leadership pipeline.

Growth Factors identifies and measures:

- four specific attributes which indicate leadership potential
- derailer characteristics which can stand in the way of a potential leader's development.

Understanding the emotional intelligence of high potentials is also crucial. Our **Emotional and Social Competency Inventory** enables employees to focus their development by quickly interpreting and acting upon the results.

With some of our clients our EI assessments have found that:

- divisions run by leaders with strong EI outperformed revenue targets by 20 per cent
- emotionally intelligent sales representatives were more than twice as effective as their peers.

Reward

Hay Group offers world-leading pay benchmarking tools, to help you measure competitiveness and attract and retain the best people. More than 70 per cent of the Fortune Top 200 use our reward products.

- **PayNet** is the world's most comprehensive database of pay and benefits, enabling you to compare your reward offering against 20,000 organizations in over 100 countries, and across sectors, regions and functions.
- **Reward Snapshot** is a fast, authoritative benchmark of up to three reward elements for a particular market.
- **Reward Pinpoint** analyzes 20 different employee rewards, including all major package elements. Based on Hay Group's unrivalled reward data, *Reward Pinpoint* illustrates where your offering is competitive and where it needs to improve.

It is impossible to know what to pay for a given role without a complete understanding of the role itself. **Job Evaluation Manager** rationalizes job measurement, providing clarity, consistency and control over your job information. JEM is based on Hay Group's world-renowned job evaluation methodology.

Finally, make sure your employees understand the full value of their package. **Total Remuneration Statements** place a tangible value on each employee's full pay and benefits, communicating the entire package in a simple, affordable and reliable way. TRS helps staff understand the whole value of their reward package in monetary terms.

Three quarters of firms using TRS report improved engagement, which helped to reduce employee turnover by 40 per cent, as well as up to:

- 2.5 times more revenue growth
- 71 per cent better customer satisfaction
- 10 per cent uplift in employee performance.

Get in touch

If you'd like to discuss how Hay Group can help your organization address employee retention, or if you'd like to know more about our world-class HR tools, please visit **www.atrium.haygroup.com/ww/retention**